
FISCAL TOPICS

Fiscal Services Division

November 21, 2017



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Tax Credit: Biodiesel Blended Fuel Tax Credit

The Biodiesel Blended Fuel Tax Credit is available to retail dealers that sell biodiesel blended motor fuel in Iowa. The tax credit is currently equal to \$0.045 per gallon of blended biodiesel motor fuel that they purchase or sell. To qualify for the credit, the blend must be at least 5.0% biodiesel.

Beginning January 1, 2018, the tax credit will equal \$0.035 per blended gallon for blends of at least 5.0% and less than 11.0%, and \$0.055 for blends of 11.0% and above.

The total amount of tax credits available in a year for a single taxpayer and for all taxpayers combined is not limited. Oversight is a function of Department of Revenue tax return auditing. The tax credit is refundable but not transferable.

Tax Credit Background

- Enabling Legislation: [2006 Iowa Acts, ch. 1142](#) (Regulation of Renewable Fuels and Energy Act of 2006)
- Iowa Code Citations:
 - [Section 422.11P](#) – Individual Income Tax
 - [Section 422.33\(11C\)](#) – Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2025
- Transferable: No
- Refundable: Yes
- Carryforward: Instead of a refund, the taxpayer may choose to carry forward unused credits to the next tax year.
- Tax Review Committee Review Years: 2009, 2014

Legislative History

As originally enacted in 2006, the tax credit equaled \$0.03 per biodiesel blended gallon with a biodiesel content of 2.0% or more. For a retailer to be eligible for the tax credit, at least 50.0% of all diesel gallons the retailer sold in a tax year had to be biodiesel blended gallons with a biodiesel content of 2.0% or higher. At the 2.0% minimum, \$0.03 per gallon was the equivalent of \$1.50 per gallon of pure biodiesel. The original tax credit carried a sunset date of January 1, 2012.

In 2008, the 50.0% biodiesel threshold was changed to per-retail location, as opposed to per retailer.

In 2011, the Legislature removed the 50.0% sales threshold. The tax credit was also changed to \$0.045 per gallon of biodiesel blended fuel with a biodiesel content of at least 5.0%. At the 5.0% minimum, \$0.045 per gallon was the equivalent of \$0.90 per gallon of pure biodiesel. The tax credit sunset was extended six years to January 1, 2018.

In 2016, the Legislature lowered the tax credit for blends of at least 5.0% but below 11.0% to \$0.035 per blended gallon (from the current \$0.045), and provided a tax credit of \$0.055 per blended gallon for blends of 11.0% or higher.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report/Contingent-Liabilities

Department of Revenue Tax Credit Review:

tax.iowa.gov/sites/files/idr/Iowa's%20Biofuel%20Retailers%20Tax%20Credits%20Evaluation%20Study%202014.pdf

Department of Revenue Tax Credit Users' Manual:

tax.iowa.gov/sites/files/idr/Tax%20Credits%20Users%20Manual%202017%20%281%29.pdf

Department of Revenue Retailers Fuel Gallons Annual Report: tax.iowa.gov/sites/files/idr/Revised2016AnnualReport.pdf

Legislative Services Agency Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

LSA Staff Contact: Jeff W. Robinson (515.281.4614) jeff.robinson@legis.iowa.gov

The changes are effective beginning January 1, 2018. A provision was also added that allows 10.0% blends to qualify as 11.0% blends if a blending error has occurred. At the 5.0% minimum, \$0.035 per gallon is the equivalent of \$0.70 per gallon of pure biodiesel, and at the 11.0% minimum (without the error allowance), \$0.055 per blended gallon is the equivalent of \$0.50 per gallon of pure biodiesel. In addition, the tax credit sunset was extended seven years to January 1, 2025.

Biodiesel Blended Fuel Tax Credit Parameter History				
Year	Credit Per Blended Gallon	Biodiesel Content Threshold	Biodiesel Sales Percentage Threshold	Credit Calculation
CY 2006	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Company-wide
CY 2007	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Company-wide
CY 2008	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Company-wide
CY 2009	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Retail Location
CY 2010	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Retail Location
CY 2011	\$ 0.030	2.0%	50.0% Biodiesel Sales Required	Retail Location
CY 2012	\$0.020, \$0.045	2.0% and 5.0%	None	Company-wide
CY 2013	\$ 0.045	5.0%	None	Company-wide
CY 2014	\$ 0.045	5.0%	None	Company-wide
CY 2015	\$ 0.045	5.0%	None	Company-wide
CY 2016	\$ 0.045	5.0%	None	Company-wide
CY 2017	\$ 0.045	5.0%	None	Company-wide
CY 2018*	\$0.035, \$0.055	5.0% and 11.0%	None	Company-wide

* CY 2018 through CY 2024

Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue review of the Biodiesel Blended Fuel Tax Credit released December 2014 and the calendar year 2016 Retailers Fuel Gallons Annual Report.

- For calendar year 2016:
 - Iowa retailers reported the sale of 379.80 million gallons of biodiesel blended diesel fuel, an amount equal to 45.1% of all diesel gallons sold.
 - The average biodiesel content of the biodiesel blended gallons was 12.1%.
 - The total pure biodiesel gallons calculated as components of blended biodiesel was 45.8 million gallons, an amount equal to 5.4% of all the diesel fuel reported sold by the reporting retailers.
 - For clear diesel (taxed fuel for road use), the pure biodiesel percentage was 7.0% of total diesel fuel sales. For dyed diesel (not taxed, for farm and other off-road purposes), the pure biodiesel percentage was 0.9% of total sales.
- From tax year 2006 through tax year 2012:
 - A total of \$39.9 million in Biodiesel Blended Fuel Tax Credit claims were made by taxpayers, with 41.6% made by corporate taxpayers and 58.4% by individual taxpayers.
 - Over the seven tax years, the top 20 claimants each year accounted for approximately 92.2% of all tax credit dollars claimed across the seven years.
 - Over the seven years, 81.7% of the \$39.9 million in tax credit claims was issued as tax refunds. Tax refunds represent the portion of the credit amount that exceeds the taxpayer's Iowa income tax liability.

The Department of Revenue reports on the annual credit usage for the Biodiesel Blended Fuel Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table and graph provide credit redemption history and projections for the Biodiesel Blended Fuel Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

Biodiesel Blended Fuel Tax Credit History

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2005	\$ -	FY 2014	\$ 10,751,772
FY 2006	119,823	FY 2015	15,640,913
FY 2007	648,260	FY 2016	12,954,516
FY 2008	2,854,653	FY 2017	17,342,688
FY 2009	4,629,290	FY 2018 Projected	18,940,825
FY 2010	4,016,652	FY 2019 Projected	18,468,325
FY 2011	6,181,326	FY 2020 Projected	21,086,905
FY 2012	6,123,763	FY 2021 Projected	21,291,168
FY 2013	7,968,517	FY 2022 Projected	21,400,220

Biodiesel Blended Fuel Tax Credit Redemptions

